

AMENDED IN ASSEMBLY JUNE 26, 2002

AMENDED IN SENATE MAY 7, 2002

**SENATE BILL**

**No. 1356**

**Introduced by Senator Murray**

~~(Coauthor: Assembly Member Strickland)~~

*(Coauthors: Assembly Members Cohn, Frommer, Koretz, and Strickland)*

February 5, 2002

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An act to amend Sections 15363.71, 15363.72, and 15363.73 of the Government Code, relating to economic development, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1356, as amended, Murray. Film California First Program: film costs.

(1) Existing law establishes the Film California First Program, pursuant to which the Technology, Trade, and Commerce Agency may pay and reimburse film costs incurred by a public agency, and the California Film Commission, within the agency, is required to develop alternate procedures for reimbursement of public agency costs incurred by a production company. "Film costs" are defined for this purpose to include, among other things, local public entity employee costs for fire services and nonpolice public safety, including, but not limited to, municipal utilities, transportation and street maintenance, and recreational agencies, as well as rental costs for equipment mandated and owned by a public agency in connection with the film.

This bill would delete the provisions restricting local public entity employee costs to costs for fire services and nonpolice public safety,

including, but not limited to, municipal utilities, transportation and street maintenance, and recreational agencies. It would also revise the rental cost restriction on equipment mandated and owned by a public agency in connection with the film, to apply instead to equipment owned and operated by public agency in connection with the film.

(2) Existing law expresses the intent of the Legislature that funding for the Film California First Program be provided from the General Fund through the annual Budget Act in a specified amount for three years, commencing with the 2000–01 fiscal year.

This bill would ~~additionally, instead,~~ express the intent of the Legislature that, ~~notwithstanding this provision,~~ commencing with the 2002–03 fiscal year, ~~the costs of the program shall not exceed those of that funding for the program from the General Fund shall not exceed the General Fund funding level for the prior fiscal year.~~

(3) Existing law requires the Technology, Trade, and Commerce Agency to reimburse only actual costs incurred by a public agency or production company, under the Film California First Program.

This bill would, notwithstanding this provision, prohibit the Technology, Trade, and Commerce Agency from reimbursing costs at rates exceeding those in effect as of January 1, 2002.

~~(3)~~

(4) This bill would make various technical, nonsubstantive changes.

~~(4)~~

(5) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: <sup>2</sup>/<sub>3</sub>. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 15363.71 of the Government Code is
- 2 amended to read:
- 3 15363.71. (a) The Legislature finds and declares as follows:
- 4 (1) The entertainment industry is one of California’s leading
- 5 industries in terms of employment and tax revenue.
- 6 (2) While film, television, and commercial production in
- 7 California has expanded over the years, other states and countries
- 8 actively compete for California production business. It is
- 9 generally acknowledged that certain segments of the industry,
- 10 mainly film and television production, are especially hard hit in

California. The Legislature finds that this is due to assertive efforts of other states and countries, offering various incentives for filming outside of California. As a result of increased marketing efforts by other states and countries, unemployment in certain film industry sectors and a reduction of film business has occurred within California.

(3) Recognizing the vital role the entertainment industry plays in California's economy, legislation enacted in 1985 created the California Film Commission within the Technology, Trade, and Commerce Agency to facilitate, retain, and attract filming in California.

(4) In order to stop the decline of California film production, it is necessary and appropriate to assist in the underwriting of actual costs incurred by production companies to film in California and to provide opportunities for production companies and other film industry companies to lease property owned by the State of California at below market rates.

(5) Providing the funds designated under this program, and leasing property owned by the State of California at below market rates is in the public interest and serves a public purpose, and providing incentives to production companies and other film industry companies will promote the prosperity, health, safety, and welfare of the citizens of the State of California.

~~(b) (1) It is the intent of the Legislature that funding for the program be provided from the General Fund through the annual Budget Act in the amount of fifteen million dollars (\$15,000,000) per year for three years, commencing with the 2000-01 fiscal year.~~

~~(2) Notwithstanding paragraph (1), it is also the intent of the Legislature that, commencing with the 2002-03 fiscal year, the costs of the program shall not exceed those of the prior fiscal year.~~

*(b) It is the intent of the Legislature that, commencing with the 2002-03 fiscal year, funding for the program from the General Fund shall not exceed the General Fund funding level for the prior fiscal year.*

SEC. 2. Section 15363.72 of the Government Code is amended to read:

15363.72. For purposes of this chapter, the following meanings shall apply:

(a) "Agency" means the Technology, Trade, and Commerce Agency, which includes the California Film Commission.

1 (b) “Film” means any commercial production for motion  
2 picture, television, commercial, or still photography.

3 (c) “Film costs” means the usual and customary charges by a  
4 public agency connected with the production of a film, limited to  
5 any of the following:

6 (1) State employee costs.

7 (2) Federal employee costs.

8 (3) Federal, state, University of California, and California  
9 State University permits and rental costs.

10 (4) Local public entity employee costs.

11 (5) Local property use fees.

12 (6) Rental costs for equipment owned and operated by a public  
13 agency in connection with the film.

14 (d) “Fund” means the Film California First Fund, established  
15 pursuant to Section 15363.74.

16 (e) “Production company” means a company, partnership, or  
17 corporation, engaged in the production of film.

18 (f) “Program” means the Film California First Program  
19 established pursuant to this chapter.

20 (g) “Public agency” means any of the following:

21 (1) The State of California, and any of its agencies,  
22 departments, boards, or commissions.

23 (2) The federal government, and any of its agencies,  
24 departments, boards, or commissions.

25 (3) The University of California.

26 (4) The California State University.

27 (5) California local public entities.

28 (6) Any nonprofit corporation acting as an agent for the  
29 recovery of costs incurred by any of the entities listed in this  
30 subdivision.

31 SEC. 3. Section 15363.73 of the Government Code is  
32 amended to read:

33 15363.73. (a) (1) Except as provided in paragraph (2), the  
34 Technology, Trade, and Commerce Agency may pay and  
35 reimburse the film costs incurred by a public agency, subject to an  
36 audit. The director of the commission shall develop alternate  
37 procedures for the reimbursement of public agency costs incurred  
38 by the production company. The Technology, Trade, and  
39 Commerce Agency shall only reimburse actual costs incurred and  
40 may not reimburse for duplicative costs.

(2) Notwithstanding paragraph (1), the Technology, Trade, and Commerce Agency shall not reimburse costs at rates exceeding those in effect as of January 1, 2002.

(b) Notwithstanding any other provision of law, the Controller shall pay any program invoice received from the agency that contains documentation detailing the film costs, and if the party requesting payment or reimbursement is a public agency, a certification that the invoice is not duplicative cost recovery, and an agreement by the public agency that the Technology, Trade, and Commerce Agency may audit the public agency for invoice compliance with the program requirements.

(c) (1) Not more than three hundred thousand dollars (\$300,000) shall be expended to pay or reimburse costs incurred on any one film.

(2) In developing the procedures and guidelines for the program, the commission may, in consultation with interested public agencies, establish limits on per day film costs that the state will reimburse. A consultation and comment period shall begin on January 1, 2001, and shall end 30 days thereafter.

(d) (1) Upon receipt of all necessary film costs documentation from a public agency, the Technology, Trade, and Commerce Agency shall transmit the appropriate information to the Controller for payment of the film costs within 30 days.

(2) Public agencies shall be entitled to reimbursement for certain administrative costs, to be determined by the director of the commission, incurred while participating in the program. The reimbursement for administrative costs shall not exceed 1 percent of the total amount of the invoices submitted. Reimbursement shall have an annual cap imposed of not more than ten thousand dollars (\$10,000) per public agency participating in the program. Contracted agents working on behalf of two or more public agencies shall have a cap of not more than twenty thousand dollars (\$20,000) annually.

(e) The commission shall prepare annual preliminary reports to be submitted to the Joint Legislative Budget Committee in regard to the program prior to the adoption of the annual Budget Act. The reports shall include a list of all entities that received funds from the program, the amounts they received, and the public services that were reimbursed. The commission shall prepare and submit a final report to the committee no later than January 1, 2004.

1 (f) The commission shall, in consultation with the Department  
2 of Industrial Relations and the Employment Development  
3 Department, contract with an independent audit firm or qualified  
4 academic expert, to prepare a report to be submitted to the Joint  
5 Legislative Budget Committee no later than January 1, 2004, that  
6 identifies the beneficiaries of expenditures from the Film  
7 California First Fund, and determines the impact of these  
8 expenditures on job retention and job creation in California.

9 SEC. 4. This act is an urgency statute necessary for the  
10 immediate preservation of the public peace, health, or safety  
11 within the meaning of Article IV of the Constitution and shall go  
12 into immediate effect. The facts constituting the necessity are:

13 Film industry production and its related jobs and economic  
14 stimulus in California are threatened by subsidized competition  
15 from other states. In order that the Film California First Program  
16 may be broadened to be effective in encouraging film production  
17 in California at the earliest possible time, it is necessary that this  
18 act take effect immediately.

